

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Superior Township	County Chippewa
Fiscal Year End March 31, 2007	Opinion Date August 31, 2007	Date Audit Report Submitted to State October 17, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952		
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI	Zip 49788
Authorizing CPA Signature <i>Kenneth A. Talsma, CPA</i>		Printed Name Kenneth A. Talsma		License Number 1101024989

**SUPERIOR TOWNSHIP, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

March 31, 2007

**SUPERIOR TOWNSHIP, MICHIGAN**

**ELECTED OFFICIALS**

TOWNSHIP SUPERVISOR

WALTER HYVARINEN

TOWNSHIP TREASURER

KATHY MUNSON

TOWNSHIP CLERK

MARY ANN CHARLES

TOWNSHIP TRUSTEE

WILLIAM BEAUNE

TOWNSHIP TRUSTEE

CHARLES COMPO

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Superior Township  
Brimley, Michigan 49715

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of Superior Township, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of Superior Township, Michigan as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Superior Township, Michigan's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

August 31, 2007

## **Management's Discussion and Analysis**

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**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

**The Township as a Whole**

The Township's combined net assets decreased 4.32% from a year ago decreasing from \$2,910,732 to \$2,784,954.

A comparative analysis will not be performed in future years because Townships with a population of less than 4,000 people are required to be audited every other year.

In a condensed format, the table below shows the net assets of Superior Township.

	<u>Governmental Activities</u> <u>2007</u>	<u>Business-type Activities</u> <u>2007</u>	<u>Total</u> <u>2007</u>
Current Assets	\$ 267,289	\$ 163,333	\$ 430,622
Noncurrent Assets	<u>115,307</u>	<u>3,078,438</u>	<u>3,193,745</u>
Total Assets	<u>\$ 382,596</u>	<u>\$ 3,241,771</u>	<u>\$ 3,624,367</u>
Current Liabilities	\$ 94,291	\$ 27,622	\$ 121,913
Noncurrent Liabilities	<u>91,000</u>	<u>626,500</u>	<u>717,500</u>
Total Liabilities	<u>185,291</u>	<u>654,122</u>	<u>839,413</u>
Net Assets			
Invested in Capital Assets -			
Net of Debt	24,307	2,439,438	2,463,745
Unrestricted	172,998	126,503	299,501
Restricted	<u>-</u>	<u>21,708</u>	<u>21,708</u>
Total Net Assets	<u>\$ 197,305</u>	<u>\$ 2,587,649</u>	<u>\$ 2,784,954</u>

The current level of unrestricted net assets for our governmental activities stands at \$172,998, or about 43.8% of expenses. This is within the targeted range set by the Township Board of Trustees during its last budget process.

The following table shows the activities of the Township.

	<u>Governmental Activities 2007</u>	<u>Business-type Activities 2007</u>	<u>Total 2007</u>
Program Revenues			
Charges for Services	\$ 21,672	\$ 247,375	\$ 269,047
Operating Grants	495	-	495
General Revenues			
Property Taxes	88,470	-	88,470
State-Shared Revenues	92,429	-	92,429
Unrestricted Investment Earnings	4,877	5,266	10,143
Other Revenue	157,029	-	157,029
Transfers	<u>(12,000)</u>	<u>12,000</u>	<u>-</u>
Total Revenues	<u>352,972</u>	<u>264,641</u>	<u>617,613</u>
Program Expenses			
Legislative	3,847	-	3,847
General Government	121,603	-	121,603
Public Safety	54,045	-	54,045
Community Economic Development	624	-	624
Public Works	206,018	-	206,018
Health and Welfare	50	-	50
Interest Expense	7,150	-	7,150
Other Expenses	1,825	-	1,825
Sewer	-	173,892	173,892
Water	<u>-</u>	<u>174,337</u>	<u>174,337</u>
Total Expenses	<u>395,162</u>	<u>348,229</u>	<u>743,391</u>
Changes in Net Assets	(42,190)	(83,588)	(125,778)
Net Assets – Beginning	<u>239,495</u>	<u>2,671,237</u>	<u>2,910,732</u>
Net Assets – Ending	<u>\$ 197,305</u>	<u>\$ 2,587,649</u>	<u>\$ 2,784,954</u>

**Governmental Activities**

The Township's total governmental revenues are comprised of property taxes, revenue sharing, and interest earned on deposits.

The most significant governmental expenses are for general government \$121,603 and public works \$206,018.

**Business-Type Activities**

The Township's largest business-type activities are the sewer and water. They provide sewer and water service to approximately 370 customers (residential and commercial) each month. Sewer and water revenues in 2007 were comparable to 2006. Sewer and water expenses were also comparable to 2006.

**The Township's Funds**

Our analysis of the Township's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide more detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 include the General Fund, Sewer, Water, and Sewer Assessment.

The General Fund pays for most of the Township's governmental services. The most significant is Public Works, which incurred expenses of approximately \$206,018 in 2007. These services are largely supported by Property Taxes, Revenue Sharing, and Tribal 2% Funds, which are recorded in the General Fund.

**Budgetary Highlights**

Over the course of the year, the Township Board amended the budget to take into account events during the year. Revenues exceeded expectations by \$29,068 for the General Fund. Township departments overall did exceed the budget, resulting in total expenditures \$60,102 over budget. This caused the General Fund's fund balance to decrease from \$213,092 a year ago to \$172,558 at March 31, 2007.

**Capital Asset and Debt Administration**

At the end of 2007, the Township had \$3,193,745 invested in a broad range of capital assets, including land, buildings, ambulance and fire equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Chippewa County Road Commission (along with the responsibility to maintain them). The Township reduced its outstanding debt by \$26,500 to an ending balance of \$730,000.

**Economic Factors and Next Year's Budgets and Rates**

The Township's budget for 2008 calls for a freeze on property tax rates. This can be accomplished because of the strong growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions. Also, reductions in State Revenue sharing continues to hurt the township.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Township Clerk's office at (906) 248-5213.

## **Basic Financial Statements**

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# Superior Township, Michigan

## Statement of Net Assets March 31, 2007

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS:</b>			
<b>Current Assets</b>			
Cash & Equivalents - Unrestricted	\$ 105,947	\$ 213,225	\$ 319,172
- Restricted	-	21,708	21,708
Internal Loans	128,546	(128,546)	-
Accounts Receivable	23,379	44,137	67,516
Taxes Receivable	-	6,966	6,966
Prepaid Expenses	9,417	5,843	15,260
Total current assets	267,289	163,333	430,622
<b>Noncurrent Assets</b>			
Capital Assets	2,600	64,265	66,865
Capital Assets (Net of Accumulated Depreciation)	112,707	3,014,173	3,126,880
<b>TOTAL ASSETS</b>	<u>\$ 382,596</u>	<u>\$ 3,241,771</u>	<u>\$ 3,624,367</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 90,582	\$ 8,149	\$ 98,731
Other Liabilities	3,709	6,973	10,682
Bonds Payable	-	12,500	12,500
Total current liabilities	94,291	27,622	121,913
<b>Noncurrent Liabilities</b>			
Installment Loans	91,000	-	91,000
Bonds Payable	-	626,500	626,500
Total noncurrent liabilities	91,000	626,500	717,500
<b>TOTAL LIABILITIES</b>	<u>185,291</u>	<u>654,122</u>	<u>839,413</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets - net of related debt	24,307	2,439,438	2,463,745
Unrestricted	172,998	126,503	299,501
Restricted	-	21,708	21,708
<b>TOTAL NET ASSETS</b>	<u>\$ 197,305</u>	<u>\$ 2,587,649</u>	<u>\$ 2,784,954</u>

# Superior Township, Michigan

## Statement of Activities For the Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
Legislative	\$ 3,847	\$ -	\$ -	\$ -	\$ (3,847)	\$ -	\$ (3,847)
General Government	121,603	21,672	-	-	(99,931)	-	(99,931)
Public Safety	54,045	-	495	-	(53,550)	-	(53,550)
Community & Economic Development	624	-	-	-	(624)	-	(624)
Public Works	206,018	-	-	-	(206,018)	-	(206,018)
Health & Welfare	50	-	-	-	(50)	-	(50)
Interest Expense	7,150	-	-	-	(7,150)	-	(7,150)
Other Expenses	1,825	-	-	-	(1,825)	-	(1,825)
Total Governmental Activities	395,162	21,672	495	-	(372,995)	-	(372,995)
<b>Business-type Activities:</b>							
Sewer	173,892	103,818	-	-	-	(70,074)	(70,074)
Water	174,337	143,557	-	-	-	(30,780)	(30,780)
Total Business-type Activities	348,229	247,375	-	-	-	(100,854)	(100,854)
Total Primary Government	\$ 743,391	\$ 269,047	\$ 495	\$ -	(372,995)	(100,854)	(473,849)
<b>General Revenues:</b>							
Taxes					88,470	-	88,470
State Revenue Sharing					92,429	-	92,429
Other					157,029	-	157,029
Investment Earnings (Loss)					4,877	5,266	10,143
Transfers					(12,000)	12,000	-
<b>Total General Revenues and Transfers</b>					330,805	17,266	348,071
Changes in Net Assets					(42,190)	(83,588)	(125,778)
Net Assets - Beginning					239,495	2,671,237	2,910,732
<b>Net Assets - Ending</b>					\$ 197,305	\$ 2,587,649	\$ 2,784,954

See accompanying notes to financial statements.

# Superior Township, Michigan

## Balance Sheet Governmental Funds March 31, 2007

	General	Nonmajor funds	Total Governmental Funds
<b>ASSETS:</b>			
Cash & Equivalents - Unrestricted	\$ 105,507	\$ 440	\$ 105,947
Accounts Receivable	23,379	-	23,379
Due from Other Funds	128,546	-	128,546
Prepaid Expenses	9,417	-	9,417
<b>TOTAL ASSETS</b>	<b>\$ 266,849</b>	<b>\$ 440</b>	<b>\$ 267,289</b>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 90,582	\$ -	\$ 90,582
Other Liabilities	3,709	-	3,709
<b>TOTAL LIABILITIES</b>	<b>94,291</b>	<b>-</b>	<b>94,291</b>
<b>FUND BALANCES:</b>			
Unreserved:			
Undesignated	172,558	385	172,943
Designated for Capital Projects	-	55	55
<b>TOTAL FUND BALANCES</b>	<b>172,558</b>	<b>440</b>	<b>172,998</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 172,558</b>	<b>\$ 440</b>	

### Reconciliation to amounts reported for governmental activities in the statement of net assets:

Capital assets used by governmental activities	115,307
Long-term debt payable by governmental activities	(91,000)
<b>Net assets of governmental activities</b>	<b>\$ 197,305</b>



# Superior Township, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended March 31, 2007

	General	Nonmajor funds	Totals Governmental Funds
<b>REVENUES:</b>			
Taxes	\$ 88,470	\$ -	\$ 88,470
State Sources	92,429	-	92,429
Local Sources	155,583	-	155,583
Charges for Services	5,839	-	5,839
Refunds & Reimbursements	15,833	-	15,833
Interest & Rentals	4,873	4	4,877
Contributions	-	495	495
Other Revenue	1,441	5	1,446
<b>TOTAL REVENUES</b>	<b>364,468</b>	<b>504</b>	<b>364,972</b>
<b>EXPENDITURES:</b>			
Legislative	3,847	-	3,847
General Government	120,819	-	120,819
Public Safety	32,004	898	32,902
Community & Economic Development	624	-	624
Health & Welfare	50	-	50
Public Works	206,018	-	206,018
Capital Outlay	6,665	-	6,665
Debt Service	21,150	-	21,150
Other Expenditures	1,825	-	1,825
<b>TOTAL EXPENDITURES</b>	<b>393,002</b>	<b>898</b>	<b>393,900</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(28,534)</b>	<b>(394)</b>	<b>(28,928)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating Transfers Out	(12,000)	-	(12,000)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>(40,534)</b>	<b>(394)</b>	<b>(40,928)</b>
<b>FUND BALANCES, APRIL 1</b>	<b>213,092</b>	<b>834</b>	<b>213,926</b>
<b>FUND BALANCES, MARCH 31</b>	<b>\$ 172,558</b>	<b>\$ 440</b>	<b>\$ 172,998</b>

**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended March 31, 2007**

Net changes in fund balances – total governmental funds \$ (40,928)

The change in net assets reported for governmental activities in the  
Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures. However, in  
the statement of activities, the cost of those assets is capitalized and the cost  
of those assets is allocated over their estimated useful lives and reported as  
depreciation expense. This is the amount by which depreciation expense  
(\$21,927) exceeded capital outlay \$6,665. (15,262)

Repayment of principal is an expenditure in the governmental funds, but  
reduces the liability in the statement of net assets. 14,000

Changes in net assets of governmental funds \$ (42,190)

# Superior Township, Michigan

## Statement of Net Assets Proprietary Funds March 31, 2007

	Business-Type Activities				
	Enterprise Funds				
				Nonmajor Water Bond Reserve	
	Sewer	Water	Sewer Assessment	Replacement	Totals
<b>ASSETS:</b>					
Current Assets					
Cash & Equivalents - Unrestricted	\$ 185,692	\$ 40	\$ 27,493	\$ -	\$ 213,225
- Restricted	-	-	-	21,708	21,708
Accounts Receivable	22,204	21,933	-	-	44,137
Taxes Receivable	-	-	6,966	-	6,966
Due from Other Funds	-	-	55,819	-	55,819
Prepaid Expenses	3,032	2,811	-	-	5,843
Total Current Assets	210,928	24,784	90,278	21,708	347,698
Non-current assets:					
Capital Assets (net of accumulated depreciation)	174,364	1,391,531	1,512,543	-	3,078,438
 TOTAL ASSETS	 \$ 385,292	 \$ 1,416,315	 \$ 1,602,821	 \$ 21,708	 \$ 3,426,136
<b>LIABILITIES:</b>					
Current Liabilities					
Accounts Payable	\$ 7,630	\$ 519	\$ -	\$ -	\$ 8,149
Due to Other Funds	7,032	177,333	-	-	184,365
Other Liabilities	148	6,825	-	-	6,973
Bonds Payable	-	12,500	-	-	12,500
Total Current Liabilities	14,810	197,177	-	-	211,987
Noncurrent Liabilities:					
Bonds Payable	-	626,500	-	-	626,500
 TOTAL LIABILITIES	 14,810	 823,677	 -	 -	 838,487
<b>NET ASSETS</b>					
Invested in Capital Assets (net of related debt)	174,364	752,531	1,512,543	-	2,439,438
Unrestricted	196,118	(159,893)	90,278	-	126,503
Restricted	-	-	-	21,708	21,708
 TOTAL NET ASSETS	 370,482	 592,638	 1,602,821	 21,708	 2,587,649
 TOTAL LIABILITIES AND NET ASSETS	 \$ 385,292	 \$ 1,416,315	 \$ 1,602,821	 \$ 21,708	 \$ 3,426,136

# Superior Township, Michigan

## Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended March 31, 2007

	Business-Type Actives				
	Enterprise Funds				
	Sewer	Water	Sewer Assessment	Nonmajor Water Bond Reserve Replacement	Totals
<b>OPERATING REVENUES:</b>					
Charges for Services	\$ 101,581	\$ 104,949	\$ 1,158	\$ -	\$ 207,688
Other	1,079	37,833	-	775	39,687
Total Operating Revenues	102,660	142,782	1,158	775	247,375
<b>OPERATING EXPENSES:</b>					
Employee Wages & Benefits	38,011	45,211	-	-	83,222
Fees for Services	1,441	1,451	-	-	2,892
Depreciation	7,347	45,716	60,979	-	114,041
Supplies	10,004	7,361	-	-	17,365
Insurance	9,470	9,158	-	-	18,628
Repairs & Maintenance	31,211	23,305	-	-	54,516
Small Tools & Equipment	2,828	2,162	-	-	4,990
Utilities	9,842	6,714	-	-	16,556
Miscellaneous	2,745	3,131	14	-	5,891
Total Operating Expenses	112,899	144,209	60,993	-	318,101
Operating Income (Loss)	(10,239)	(1,427)	(59,835)	775	(70,726)
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Interest Expense	-	(30,128)	-	-	(30,128)
Interest on Deposits	3,837	-	847	582	5,266
Total Non-Operating Revenues (Expenses)	3,837	(30,128)	847	582	(24,862)
Income (Loss) Before Transfers	(6,402)	(31,555)	(58,988)	1,357	(95,588)
Operating Transfers In	-	12,000	-	12,655	24,655
Operating Transfers Out	-	(12,655)	-	-	(12,655)
Changes in Net Assets	(6,402)	(32,210)	(58,988)	14,012	(83,588)
NET ASSETS, APRIL 1	376,884	624,848	1,661,809	7,696	2,671,237
NET ASSETS, MARCH 31	\$ 370,482	\$ 592,638	\$ 1,602,821	\$ 21,708	\$ 2,587,649

# Superior Township, Michigan

## Statement of Cash Flows Proprietary Funds For the Year Ended March 31, 2007

	Business-type Activities				
	Enterprise Funds				
	Sewer	Water	Sewer Assessment	Nonmajor Water Bond Reserve/Replacement	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from Customers/payments (to) from other governmental units	\$ 119,925	\$ 149,439	\$ 4,151	\$ 775	\$ 274,290
Payments to Suppliers	(65,864)	(4,559)	(14)	-	(70,437)
Payments to Employees	(41,973)	(46,662)	-	-	(88,635)
Net Cash Provided (Used) by Operating Activities	12,088	98,218	4,137	775	115,218
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Purchase of Capital Assets	(11,739)	(6,665)	-	-	(18,404)
Principal Payments	-	(12,500)	-	-	(12,500)
Interest Payments	-	(30,128)	-	-	(30,128)
Net Cash Provided (Used) by Capital and Related Financing Activities	(11,739)	(49,293)	-	-	(61,032)
<b>CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Operating transfers in	-	12,000	-	12,655	24,655
Operating transfers out	-	(12,655)	-	-	(12,655)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	-	(655)	-	12,655	12,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest on Deposits	3,837	-	847	582	5,266
Net Cash Provided (Used) by Investing Activities	3,837	-	847	582	5,266
Net Increase (Decrease) in Cash and Cash Equivalents	4,186	48,270	4,984	14,012	71,452
Balances - Beginning of the Year	181,506	(48,230)	22,509	7,696	163,481
Balances - End of the Year	\$ 185,692	\$ 40	\$ 27,493	\$ 21,708	\$ 234,933
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	\$ (10,239)	\$ (1,427)	\$ (59,835)	\$ 775	\$ (70,726)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	7,347	45,716	60,979	-	114,041
Change in Assets and Liabilities:					
Accounts Receivable	17,265	6,657	2,993	-	26,915
Prepays	236	385	-	-	621
Accounts Payable	(2,521)	21	-	-	(2,500)
Accrued Interest Payable	-	(5,742)	-	-	(5,742)
Due to Other Funds	-	45,982	-	-	45,982
Other Liabilities	-	6,626	-	-	6,627
Net Cash Provided by Operating Activities	\$ 12,088	\$ 98,218	\$ 4,137	\$ 775	\$ 115,218

# Superior Township, Michigan

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## Statement of Fiduciary Net Assets Fiduciary Funds March 31, 2007

	<u>Current Tax Collection Fund</u>
<b>ASSETS:</b>	
Cash & Cash Equivalents	<u>\$         8,468</u>
TOTAL ASSETS	<u><u>\$         8,468</u></u>
<b>LIABILITIES:</b>	
Due to Others	<u>\$         8,468</u>
TOTAL LIABILITIES	<u><u>\$         8,468</u></u>

## **Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Superior Township, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

**A – Reporting Entity:**

Superior Township ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, public works, community enrichment and development and health services.

The Township, for financial purposes, includes all of the funds relevant to the operations of Superior Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Superior Township.

**B – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Taxes Receivable – Current or Property Taxes**

The Superior Township property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Superior Township as of the preceding December 31<sup>st</sup>.

The 2006 taxable valuation of the Superior Township totaled \$32,990,658, on which ad valorem taxes levied consisted of 1.5871 mills for the Township operating, raising \$52,213 for operating. This amount is recognized in the General Fund financial statements as tax revenue.

The Township reports the following major governmental funds:

**General Fund**

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township reports the following major proprietary funds:

**Water**

This Fund accounts for water operations of the Township.

**Sewer**

This Fund accounts for wastewater disposal and treatment operations in the Township.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Sewer Assessment**

This Fund accounts for wastewater disposal and treatment operations within the special assessment district of the Township.

Additionally, the Township reports the following fund types:

**Agency Funds**

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**D - Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Payments made to vendors for services that will benefit periods beyond March 31, 2007, are recorded as prepaid items.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, water systems, sewer systems, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each March, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing April 1 and lapses on March 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Budget Violations – Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

Expenditures that exceeded appropriations by material amounts are as follows:

	Final Budget	Actual	Variance
General Fund:			
General Government	\$ 106,700	\$ 120,819	(14,119)
Public Safety	28,000	32,004	(4,004)
Public Works	181,100	206,018	(24,918)
Debt Service	9,500	21,150	(11,650)
Capital Outlay	-	6,665	(6,665)

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds
Cash and Cash Equivalents –			
Unrestricted	\$ 105,947	\$ 213,225	\$ 8,468
Restricted	-	21,708	-

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Petty Cash	\$ 40	\$ -
Bank Deposits (checking and savings accounts)	120	8,468
Money Market Savings	340,720	-
Total	<u>\$ 340,880</u>	<u>\$ 8,468</u>

Cash is restricted in the water bond reserve and replacement fund for bond repayment and water system replacement.

*Interest rate risk.* The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

*Custodial credit risk.* Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or securities that are in the possession of an outside party.

*Custodial deposit credit risk.* Custodial deposit credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$227,895 of the Township's bank balance of \$350,340 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits and investment policy are in accordance with statutory authority.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,600	\$ -	\$ -	\$ 2,600
Subtotal	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>2,600</u>
<i>Capital assets being depreciated:</i>				
Building	76,500	-	-	76,500
Equipment	41,376	-	-	41,376
Motor Vehicles	<u>235,532</u>	<u>6,665</u>	<u>-</u>	<u>242,197</u>
Subtotal	<u>353,408</u>	<u>6,665</u>	<u>-</u>	<u>360,073</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(66,185)	(743)	-	(66,928)
Equipment	(24,144)	(4,495)	-	(28,639)
Motor Vehicles	<u>(135,110)</u>	<u>(16,689)</u>	<u>-</u>	<u>(151,799)</u>
Subtotal	<u>(225,439)</u>	<u>(21,927)</u>	<u>-</u>	<u>(247,366)</u>
Net Capital Assets Being Depreciated	<u>127,969</u>	<u>(15,262)</u>	<u>-</u>	<u>112,707</u>
Total Capital Assets - Net of Depreciation	<u>\$ 130,569</u>	<u>\$ (15,262)</u>	<u>\$ -</u>	<u>\$ 115,307</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 784
Public Safety	<u>21,143</u>
Total Governmental Activities	<u>\$ 21,927</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 64,265	\$ -	\$ -	\$ 64,265
Subtotal	<u>64,265</u>	<u>-</u>	<u>-</u>	<u>64,265</u>
<i>Capital assets being depreciated:</i>				
Water & Sewer Mains	3,951,471	-	-	3,951,471
Buildings	29,666	-	-	29,666
Equipment	923,162	5,074	-	928,236
Motor Vehicles	<u>17,500</u>	<u>13,330</u>	<u>(1,500)</u>	<u>29,330</u>
Subtotal	<u>4,921,799</u>	<u>18,404</u>	<u>(1,500)</u>	<u>4,938,703</u>

**NOTE 4 - CAPITAL ASSETS (Continued)**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Less accumulated depreciation for:</i>				
Water & Sewer Mains	(1,300,606)	(88,606)	-	(1,389,212)
Buildings	(15,337)	(929)	-	(16,266)
Equipment	(478,546)	(23,173)	-	(501,719)
Motor Vehicles	<u>(17,500)</u>	<u>(1,333)</u>	<u>1,500</u>	<u>(17,333)</u>
Subtotal	<u>(1,811,989)</u>	<u>(114,041)</u>	<u>1,500</u>	<u>(1,924,530)</u>
Net Capital Assets Being Depreciated	<u>3,109,810</u>	<u>(95,637)</u>	<u>-</u>	<u>3,014,173</u>
Total Capital Assets - Net of Depreciation	<u>\$ 3,174,075</u>	<u>\$ (95,637)</u>	<u>\$ -</u>	<u>\$ 3,078,438</u>

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

DUE TO OTHER FUNDS				
DUE FROM OTHER FUNDS		General	Sewer Assessment	Totals
	Water	\$ 121,514	\$ 55,819	\$ 177,333
	Sewer	<u>7,032</u>	<u>-</u>	<u>7,032</u>
	Total	<u>\$ 128,546</u>	<u>\$ 55,819</u>	<u>\$ 184,365</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

		TRANSFERS OUT		
TRANSFERS IN		General Fund	Water Fund	Totals
	Water	\$ 12,000	\$ -	\$ 12,000
	Water Reserve & Replacement	-	12,655	12,655
	Total	\$ 12,000	\$ 12,655	\$ 24,655



**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 6 - LONG-TERM DEBT:**

General Long-Term Debt - The bonds payable reflected in the basic financial statements consist of general obligation notes incurred by Superior Township. The Township has pledged the general full faith and credit of the Township for the payment of principal and interest on the bonds. The user fees of the water fund are used as security for revenue bonds on the water fund.

Changes in long-term debt during the year ending March 31, 2007 are summarized as follows:

	Balance 04/01/06	Additions	Deductions	Balance 03/31/07	Due Within One Year
<b>Enterprise Funds:</b>					
1977 Chippewa County Water Supply System Bonds, maturing serially to 2016 In annual amounts ranging from \$4,000 to \$7,000 and bearing interest of 5% semiannually.	\$ 60,000	\$ -	\$ 5,000	\$ 55,000	\$ 5,000
Chippewa County Water Supply System Bonds, Series 2000A, maturing serially to 2040 in annual Amounts ranging from \$5,000 to \$31,000 and bearing interest of 4.5% semiannually.	566,000	-	7,000	559,000	7,000
Chippewa County Water Supply System, Bonds Series 2000 B, maturing semiannually to 2040 in annual amounts ranging from \$500 to \$1,500 and bearing interest of 4.5% semiannually.	25,500	-	500	25,000	500
Total Enterprise Funds	651,500	-	12,500	639,000	12,500
<b>General Long-Term Debt:</b>					
Fire Truck financing with Rural Development, due in annual installments of \$6,000 to \$11,000 through 2018, interest of 4.75% due semiannually.	105,000	-	14,000	91,000	-
<b>TOTAL LONG-TERM OBLIGATIONS</b>	<u>\$ 756,500</u>	<u>\$ -</u>	<u>\$ 26,500</u>	<u>\$ 730,000</u>	<u>\$ 12,500</u>

**NOTE 6 - LONG-TERM DEBT (Continued)**

Annual debt service requirements to maturity for the above obligations are as follows:

Year End March 31	Business-type Activities		Governmental Activities	
	Principal	Interest	Principal	Interest
2008	\$ 12,500	\$ 28,737	\$ -	\$ 2,161
2009	12,500	28,149	7,000	4,156
2010	13,500	27,539	8,000	3,800
2011	13,500	26,906	8,000	3,420
2012	14,500	26,252	8,000	3,040
2013-2017	81,500	120,443	49,000	8,408
2018-2022	63,500	103,556	11,000	523
2023-2027	79,500	87,560	-	-
2028-2032	101,000	67,298	-	-
2033-2037	125,000	41,963	-	-
2038-2042	122,000	11,318	-	-
Total	<u>\$ 639,000</u>	<u>\$ 569,721</u>	<u>\$ 91,000</u>	<u>\$ 25,508</u>

Interest expense in the Enterprise funds is included totally as a direct expense of water operations.

**NOTE 7 - LEASE OBLIGATION**

The Township is obligated under an operating lease. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreement is not capitalized as a fixed asset. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of March 31, 2007:

Year Ending March 31	Amount
2008	\$ 200
2009	200
2010	200
2011	200
2012	200
2013-2017	1,000
2018-2022	1,000
2023-2027	1,000
2028-2032	1,000
2033-2034	1,000
2038-2042	1,000
2043-2047	1,000
2048-2052	1,000
2053-2054	<u>400</u>
Total	<u>\$ 9,400</u>

Lease payments totaling \$200 were paid during the year.

**NOTE 8 - DEFINED CONTRIBUTION (MONEY PURCHASE) PENSION PLAN**

The Township maintains a pension plan for its salaried employees that is administered by the John Hancock Life Insurance Company, acting as an Investment Fiduciary. This plan is a defined contribution pension plan for Michigan Township employees. All salaried employees are eligible to participate in the plan. There is no minimum age or service requirement. The employer's contribution for each participant will be calculated based upon the basic annual rate of compensation paid to each employee. The following details the annual contributions by the Township based upon compensation received:

<u>Compensation Received</u>	<u>Annual Contribution by Township</u>
\$ 499 and less	\$ 75
500 to 999	150
1,000 to 1,499	225
1,500 to 1,999	300
2,000 to 2,499	375
2,500 to 2,999	450
3,000 and over	525

All participants are 100% vested at all times. A participant will attain his normal retirement age on the date he attains age 65 or, if later, on the 10th anniversary of the official's entry date. Early retirement is permitted at any time after attaining age 55.

Payments totaling \$11,009 including employee contributions, were made during the year. The Townships current year contribution to the plan amounted to \$7,665. Total wages for all employees in the plan amounted to \$89,535, for the year ended March 31, 2007. Total wages for all employees amounted to \$146,747 for the year ended March 31, 2007.

**NOTE 9 - RISK MANAGEMENT**

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

**NOTE 10 - CONTINGENT LIABILITIES**

The Township has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at March 31, 2007.

**NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS:**

Segment information for the year ended June 30, 2007, is as follows:

	<u>Water</u>
Nonoperating revenues (expenses)	\$ (30,128)
Operating income (loss)	(1,427)
Changes in net assets	(32,210)
Operating revenues	142,782
Operating expenses	144,209
Operating transfers – net	(655)
Depreciation	45,716
Total assets	1,416,315
Current liabilities	197,177
Long-term debt payable	626,500
Beginning net assets	624,848
Ending net assets	592,638
Cash provided by:	
Operating activities	98,218
Capital financing	(49,293)
Noncapital financing	(655)
Investing	-
Beginning cash	(48,230)
Ending cash	40

**NOTE 12 - RESTRICTED NET ASSETS**

Net assets have been restricted/reserved in the Business-type activities/water fund for repayment on water system bonds and water system replacement.

**NOTE 13 - SPECIAL ASSESSMENTS RECEIVABLE AND DEFERRED REVENUE**

At the time special assessments are approved, the amount of the assessments and related deferred revenue are recorded representing the total assessment due. Collections are recognized as they occur over the life of the assessment, ranging from 10 to 20 years. Early payment is permitted. Unpaid assessments are added to property tax bills and are accorded treatment similar to unpaid property tax, in that the County revolving tax fund will pay those delinquent amounts. The deferred revenue is recognized ratably over the term of the assessment.

## **Required Supplementary Information**

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# Superior Township, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 81,100	\$ 81,100	\$ 88,470	\$ 7,370
State Sources	96,000	96,000	92,429	(3,571)
Local Sources	152,000	152,000	155,583	3,583
Charges for Services	2,350	2,350	5,839	3,489
Refunds & Reimbursements	500	500	15,833	15,333
Interest & Rentals	2,250	2,250	4,873	2,623
Other Revenue	1,200	1,200	1,441	241
TOTAL REVENUES	335,400	335,400	364,468	29,068
EXPENDITURES:				
Legislative:				
Township Board	6,000	6,000	3,847	2,153
General Government:				
Supervisor	12,000	12,000	12,279	(279)
Elections	2,000	2,000	6,710	(4,710)
Assessor	18,000	18,000	21,377	(3,377)
Clerk	30,000	30,000	26,780	3,220
Board of Review	700	700	1,070	(370)
Treasurer	15,500	15,500	14,779	721
Building & Grounds	25,000	25,000	29,369	(4,369)
Cemetery	3,500	3,500	8,455	(4,955)
Total General Government	106,700	106,700	120,819	(14,119)
Public Safety:				
Fire Department	28,000	28,000	32,004	(4,004)
Community & Economic Development:				
Zoning	500	500	624	(124)
Public Works:				
Highways, Streets & Bridges	179,600	179,600	204,922	(25,322)
Sanitation	1,500	1,500	1,096	404
Total Public Works	181,100	181,100	206,018	(24,918)
Health & Welfare:				
Ambulance	-	-	50	(50)
Capital Outlay	-	-	6,665	(6,665)

# Superior Township, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Debt Service:				
Principal	7,000	7,000	14,000	(7,000)
Interest	2,500	2,500	7,150	(4,650)
Total Debt Service	9,500	9,500	21,150	(11,650)
Other Expenditures:				
Other	1,100	1,100	1,825	(725)
TOTAL EXPENDITURES	332,900	332,900	393,002	(60,102)
EXCESS OF REVENUES OVER EXPENDITURES	2,500	2,500	(28,534)	(31,034)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(12,000)	(12,000)	(12,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (9,500)	\$ (9,500)	(40,534)	\$ (50,034)
FUND BALANCE, APRIL 1			213,092	
FUND BALANCE, MARCH 31			\$ 172,558	

## **Other Supplementary Information**

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# Superior Township, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds March 31, 2007

	Special Revenue Fund	Capital Project Fund	
	Fire Fund	Water Improvement Project	Totals
<b>ASSETS:</b>			
Cash & Equivalents - Unrestricted	\$ 385	\$ 55	\$ 440
<b>TOTAL ASSETS</b>	<u>\$ 385</u>	<u>\$ 55</u>	<u>\$ 440</u>
<b>FUND BALANCES:</b>			
Unreserved			
Undesignated	\$ 385	\$ -	\$ 385
Designated for Capital Projects	-	55	55
<b>TOTAL FUND BALANCES</b>	<u>385</u>	<u>55</u>	<u>440</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 385</u>	<u>\$ 55</u>	<u>\$ 440</u>

# Superior Township, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended March 31, 2007

	Special Revenue Fund	Capital Project Fund	
	Fire Fund	Water Improvement Project	Totals
<b>REVENUES:</b>			
Contributions	\$ 495	\$ -	\$ 495
Interest & Rentals	4	-	4
Other	5	-	5
<b>TOTAL REVENUES</b>	<b>504</b>	<b>-</b>	<b>504</b>
<b>EXPENDITURES:</b>			
Public Safety	898	-	898
<b>TOTAL EXPENDITURES</b>	<b>898</b>	<b>-</b>	<b>898</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(394)</b>	<b>-</b>	<b>(394)</b>
<b>FUND BALANCES, APRIL 1</b>	<b>779</b>	<b>55</b>	<b>834</b>
<b>FUND BALANCES, MARCH 31</b>	<b>\$ 385</b>	<b>\$ 55</b>	<b>\$ 440</b>

## **Report on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Township of Superior  
Brimley, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Superior Township, Michigan as of and for the year ended March 31, 2007, which collectively comprise Superior Township's basic financial statements and have issued our report thereon dated August 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Superior Township, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Superior Township, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 07-1.

We noted certain matters that we reported to management of the Superior Township, Michigan's in a separate letter dated August 31, 2007.

This report is intended solely for the information and use of the Board of Trustees, audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

August 31, 2007

**Section II – Financial Statement Findings**

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***Significant Deficiencies – Non-Compliance***

**Expenditures in Excess of Appropriations—Budgetary Funds**

***Finding 07-1***

*Condition:* Our examination of procedures used by the Township to adopt and maintain operating budgets for the Township's budgetary fund revealed the following instances of noncompliance with the provisions of Public Act 621 of 1978, as amended, the Uniform Budgeting and Accounting Act.

The Township's 2006-07 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level. As detailed, actual 2006-07 expenditures exceeded the board's approved budget allocations for some general fund activities.

During the fiscal year ended March 31, 2007, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund on page 29 & 30 of the financial statements.

*Criteria:* The expenditures of funds in excess of appropriations is contrary to the provisions of Public Act 621 of 1978, as amended.

*Recommendation:* We recommend that the Township and personnel responsible for administering the activities of the various funds of the Township, develop budgetary control procedures for the General Fund, which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

*Management's Response—Corrective Action Plan:* Management has agreed to correct the problem by monitoring the budgets more closely and performing budget amendments on a timely basis.



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT TO MANAGEMENT**

Board of Trustees  
Superior Township  
Brimley, Michigan 49715

We have audited the financial statements of Superior Township, Michigan for the year ended March 31, 2007, and have issued our report thereon dated August 31, 2007. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Superior Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Superior Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability. Useful lives of Fixed Assets are an example of the Township's accounting estimates.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process. Significant audit adjustments were made to correct various errors.

### **Disagreement with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.



### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's basic financial statements or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

### **Comments and Recommendations**

#### **Fraud Policy**

With the implementation of Statement of Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

#### **Personal Property Taxes**

Currently, the Township is not recording the amount of outstanding delinquent personal property taxes that are due to the Township in the general ledger. It is recommended the Township record the amount of outstanding delinquent personal property taxes in the general ledger for each fund that has a tax levy. The Township should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

#### **Check Images**

Due to changes in bank practices, the Township does not receive canceled checks. The Township should contact the bank to obtain, "imaged" checks to assure compliance with state retention policies and to assure proper clearing of amounts by the bank.

**Conclusion**

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing any of the above recommendations, please contact us.

This letter is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, pass through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC". The signature is written in a cursive, flowing style.

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

August 31, 2007